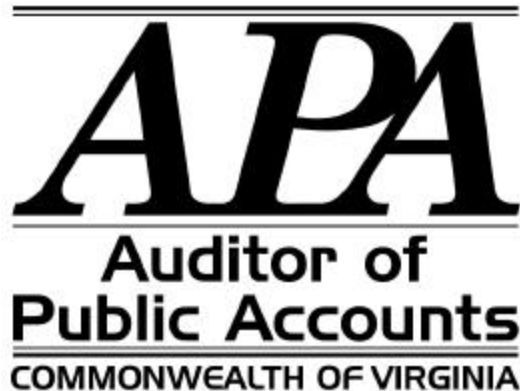


**VIRGINIA'S MUSEUMS
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**



AUDIT SUMMARY

This report contains the results of our combined audit of the following museums:

- Science Museum of Virginia
- Virginia Museum of Fine Arts
- Frontier Culture Museum of Virginia
- Gunston Hall
- Jamestown-Yorktown Foundation
- Virginia Museum of Natural History

We refer to these agencies collectively as Virginia's Museums. These museums are responsible for preserving, interpreting, and promoting history, the arts, and sciences throughout the Commonwealth. Our work included an audit of the financial records and operations, a review of internal controls, and tests of compliance with laws, rules, and regulations.

We found:

- certain matters that we consider reportable conditions in internal control; however, we do not consider these matters to be material weaknesses;
- no issues of noncompliance with applicable laws and regulations tested that we are required to report;
- adequate corrective action with respect to audit findings reported in the prior audit, with one exception; and
- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System.

We recommend that:

- The Science Museum, the Frontier Culture Museum, and the Jamestown-Yorktown Foundation strengthen access controls over the Commonwealth Accounting and Reporting System.
- Gunston Hall and the Museum of Natural History deposit funds in compliance with state regulations.
- The Virginia Museum of Fine Arts, Gunston Hall, and the Jamestown-Yorktown Foundation improve fixed asset procedures.
- Gunston Hall strengthen internal controls over fiscal operations.
- The Museum of Fine Arts and Gunston Hall establish written policies and procedures for the small purchase credit card program.

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VIRGINIA'S MUSEUMS

Virginia's Museums have the collective responsibilities of preserving, interpreting, and promoting history, the arts, and sciences throughout the Commonwealth. The Science Museum of Virginia, the Virginia Museum of Fine Arts, the Frontier Culture Museum of Virginia, Gunston Hall, and the Jamestown-Yorktown Foundation are under the Education secretariat, while the Virginia Museum of Natural History is under the Natural Resources secretariat.

Although each of the six museums has a unique mission, all have similar operating and funding objectives. While the Museums receive their primary support from the State, each receives some support through affiliations with private foundations or trusts. These affiliated organizations are independently incorporated and exist for the sole purpose of soliciting, receiving, investing, and managing private donations for each related Museum's benefit.

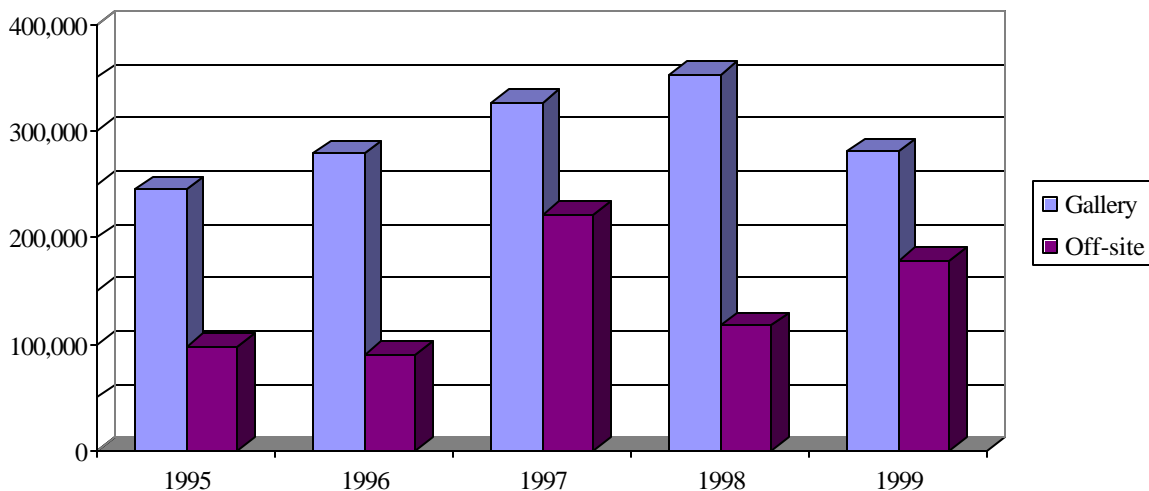
The financial information presented in this report reflects the new program standards implemented by the Department of Planning and Budget for Virginia's Museums. These standards require the Museums to track operating expenses for collections management and curatorial services, education and extension services, and administrative and support functions.

The Science Museum of Virginia

The Science Museum of Virginia seeks to stimulate interest and works with citizens to develop a better understanding of the sciences. The Science Museum, headquartered in Richmond, tries to accomplish these objectives by providing opportunities for informal, hands-on teaching and learning experiences, and by providing various educational outreach programs. The Museum presents many of its programs in collaboration with other museums, state agencies, educational institutions, and industries. The Science Museum also operates the Virginia Aviation Museum, located in Richmond, and the Danville Science Center.

As represented in the graph below, museum attendance has been steadily increasing, with the exception of 1999. Attendance decreased during fiscal year 1999 as the museum closed and remodeled the Ethyl OmniMax Theater. Further, major renovations occurred in the gallery areas, restricting access to patrons.

Attendance at the Science Museum of Virginia



Total operating revenues for fiscal year ending June 30, 1999 were \$7,322,774. Of this amount, 56 percent are General Fund appropriations and 22 percent is comprised of support from private councils, foundations, and trusts. The primary source of this private funding is the Science Museum of Virginia Foundation, Incorporated, which reported net assets of over \$14 million at June 30, 1999.

<u>Operating revenue:</u>	
General Fund appropriations	\$4,123,700
Support from private councils, foundations, and trusts	1,597,443
Admissions	878,259
Other revenue	<u>723,372</u>
Total operating revenue	<u>\$7,322,774</u>
<u>Operating expenses:</u>	
Educational and extension services	\$4,550,512
Museum administration	2,469,658
Curatorial services and other expenses	<u>66,262</u>
Total operating expenses	<u>\$7,086,432</u>
Excess revenue over expenses	<u>\$ 236,342</u>
Capital project expenses	<u>\$3,144,608</u>

The Virginia Museum of Fine Arts

The Virginia Museum of Fine Arts, located in Richmond, seeks to promote the education and appreciation of art throughout the Commonwealth. The Museum collects and interprets artworks from all periods of world history through permanent and temporary exhibitions, publications, lectures, seminars, and a variety of outreach programs. The Museum acquires art collections through purchases, gifts, bequests, and loans.

Gallery attendance has steadily risen over the past five years, but significant increases occurred in fiscal years 1997 and 1999 due to popular special exhibits.

General Fund appropriations represent 60 percent of total operating revenues while 25 percent comes from private sources. The Virginia Museum of Fine Arts Foundation provides a substantial amount of this private support, reporting net assets of over \$116 million as of June 30, 1999. The Museum of Fine Arts also operates the museum gift shop and food services.

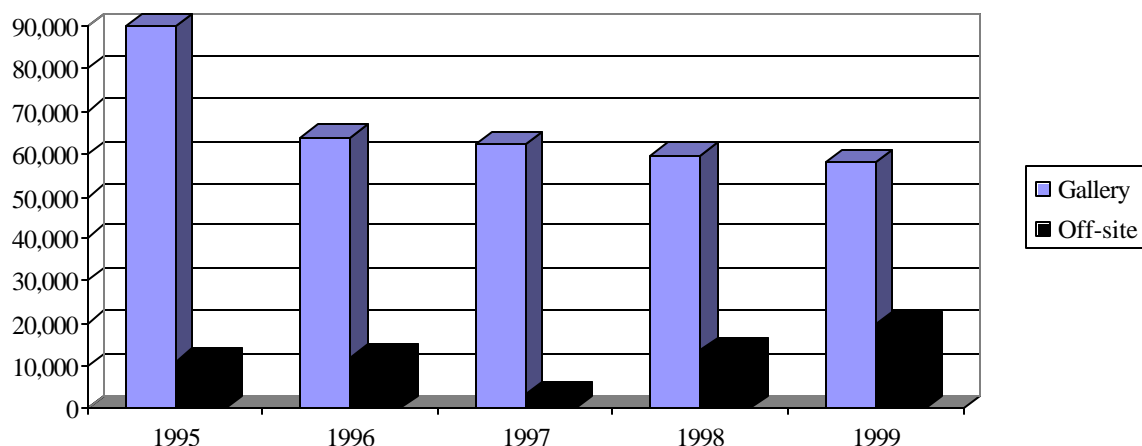
The resources received from these operations are used for financing the self-supporting activities of the Museum.

<u>Operating revenue:</u>	
General Fund appropriations	\$ 8,287,426
Support from private councils, foundations, and trusts	3,414,141
Admissions	311,481
Membership dues and fees	273,277
Class tuitions	730,429
Other revenue	<u>583,227</u>
Total operating revenue	<u>\$13,599,981</u>
<u>Operating expenses:</u>	
Educational and extension services	\$ 4,107,114
Museum administration	7,008,802
Curatorial services and other expenses	<u>2,499,086</u>
Total operating expenses	<u>\$13,615,002</u>
Special revenue funds available for FY99	<u>\$ 189,944</u>
Capital project expenses	<u>\$ 2,080,722</u>

The Frontier Culture Museum of Virginia

The Frontier Culture Museum of Virginia, located in Staunton, commemorates and educates visitors about the contributions of pioneers and frontier culture to the creation and development of the United States. It maintains exhibits of early American structures and interpretations of settlers' lifestyles. Over the past five years, gallery attendance has significantly decreased. However, the Museum has been expanding its off-site educational and outreach programs to reach a broader student base and enhance the Standard of Learning (SOL) curriculum.

Attendance at the Frontier Culture Museum of Virginia



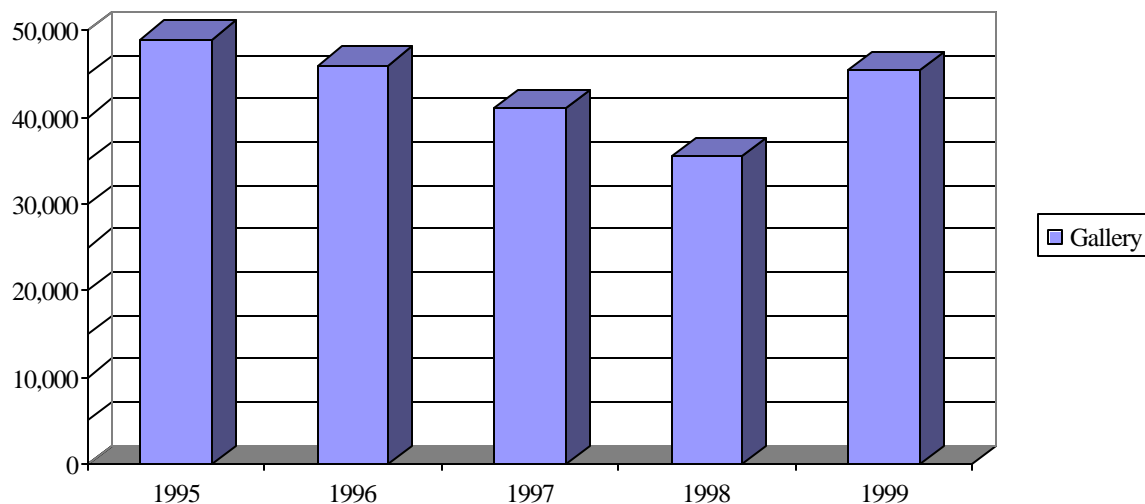
General Fund appropriations are the primary source of funding for operations, equaling 72 percent of total operating revenues. The Museum also receives support from the American Frontier Culture Foundation, an independent organization that acquires and restores historical structures and supports museum programs. The Foundation, which collects revenues through membership fees and the museum gift shop, reported net assets of \$1,041,315 as of June 30, 1999.

<u>Operating revenue:</u>	
General Fund appropriations	\$1,422,108
Admissions	284,058
Membership dues and fees	25,931
Other revenue	<u>251,025</u>
 Total operating revenue	 <u>\$1,983,122</u>
<u>Operating expenses:</u>	
Educational and extension services	\$ 119,111
Museum administration	1,093,577
Curatorial services and other expenses	<u>634,105</u>
 Total operating expenses	 <u>\$1,846,793</u>
 Excess revenue over expenses	 <u>\$ 136,329</u>
 Capital project expenses	 <u>\$ 46,778</u>

Gunston Hall

Gunston Hall, located in Lorton and operated by a Board of Regents, is the eighteenth century plantation and former home of George Mason. The Museum promotes and educates the public about the international significance of its owner and his unique contribution to human rights. Over the past five years, Gunston Hall has experienced a steady decrease in visitors with the exception of fiscal year 1999. During 1999, the Museum was involved in a national fundraising campaign for the George Mason Memorial in Washington DC, thus raising public awareness of the Museum.

Attendance at Gunston Hall



General Fund appropriations are 73 percent of total operating revenues. Private funding is received from the Gunston Hall Regents Fund and Gunston Hall Foundation, a separately incorporated entity that provides funding and expertise to restore and refurbish Gunston Hall. The Foundation solicits and manages private donations and operates the museum shop and banquet facility and had net assets of \$8,960,672 as of September 30, 1999.

<u>Operating revenue:</u>	
General Fund appropriations	\$545,149
Support from private councils, foundations, and trusts	84,115
Admissions	105,720
Other revenue	<u>9,647</u>
Total operating revenue	<u>\$744,631</u>
<u>Operating expenses:</u>	
Educational and extension services	<u>\$758,625</u>
Total operating expenses	<u>\$758,625</u>
Special revenue funds available for FY99	<u>\$ 36,581</u>
Excess revenue over expenses	<u>\$ 22,587</u>
Capital project expenses	<u>\$ 32,956</u>

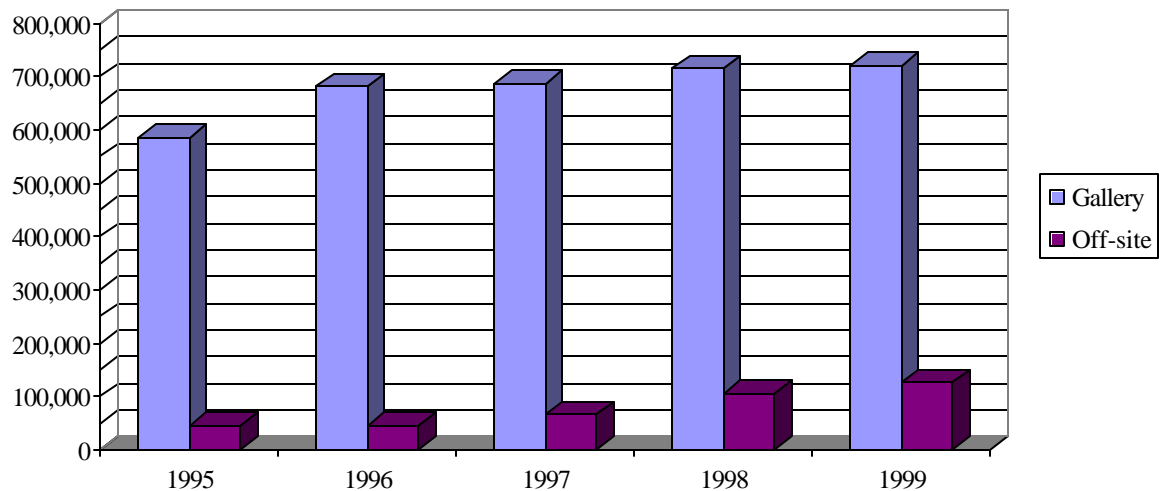
The Jamestown-Yorktown Foundation

The Jamestown-Yorktown Foundation showcases Virginia's role during the English colonial period in the United States. The Foundation has two sites: the Jamestown Settlement and the Yorktown Victory Center. Jamestown consists of a museum and full size re-creations of a Powhatan Indian village, a colonial fort, and three ships. The Yorktown Victory Center houses a museum, a recreated Continental Army encampment, and a farm site.

The Virginia General Assembly has designated the Jamestown-Yorktown Foundation as the state agency responsible for directing the Commonwealth's role in the commemoration of the 400th anniversary of the first English settlement in the New World. This celebration will occur in 2007. The Museum has begun collecting donations and undergoing major renovations that will continue for the next seven years.

Both gallery and off-site attendance has shown a steady increase over the past five years. The Jamestown-Yorktown Foundation's gallery attendance has benefited from joint admission packages with other historic and recreation sites in the Williamsburg area.

Attendance at the Jamestown-Yorktown Foundation



General Fund appropriations are 56 percent of the Jamestown-Yorktown Foundation's operating revenue, with the remainder comprised of non-general funds, primarily from admission revenues. The Foundation receives support from the Jamestown-Yorktown Educational Trust, Limited and the Jamestown-Yorktown Foundation, Incorporated. These foundations solicit private donations and operate three gift shops and a cafe. Net assets reported as of December 31, 1999 for Jamestown-Yorktown Educational Trust and the Jamestown-Yorktown Foundation, Incorporated were \$6,738,549 and \$139,530 respectively.

Operating revenue:

General Fund appropriations	\$ 5,477,584
Admissions	3,612,019
Other revenue	<u>620,735</u>

Total operating revenue	<u><u>\$9,710,338</u></u>
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Operating expenses:

Educational and extension services	\$3,979,858
Museum administration	4,592,679
Curatorial services and other expenses	<u>696,783</u>

Total operating expenses	<u><u>\$9,269,320</u></u>
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Special revenue funds available for FY99	<u><u>\$ 262,756</u></u>
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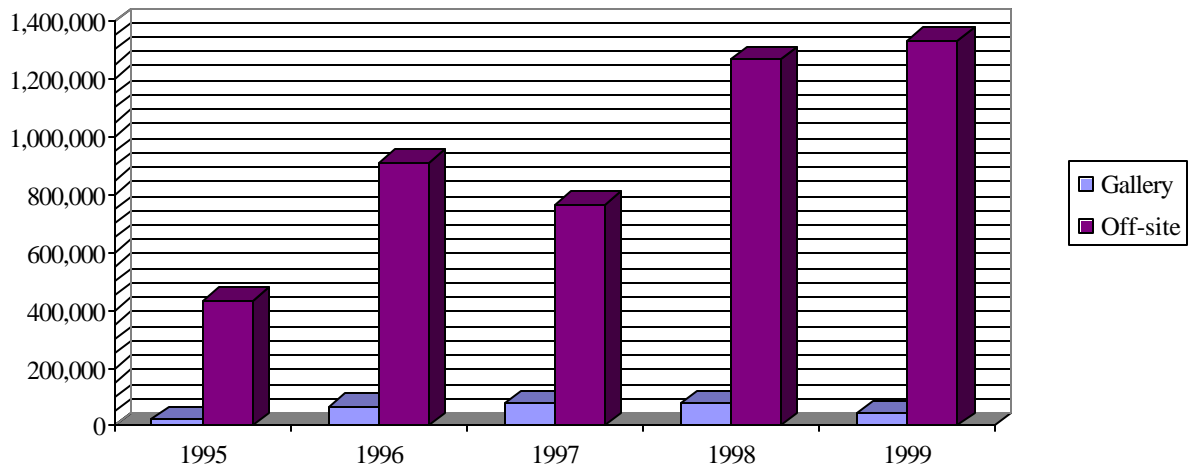
Capital project expenses	<u><u>\$2,512,940</u></u>
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The Virginia Museum of Natural History

The Virginia Museum of Natural History preserves, studies, and interprets the Commonwealth's natural heritage through a statewide system of museum facilities, research sites, traveling exhibits, and educational programs. The Museum, located in Martinsville, also has permanent sites at the University of Virginia in Charlottesville and Virginia Polytechnic Institute and State University in Blacksburg. All three

facilities provide exhibits, programs, and field trips for the general public. Gallery attendance decreased during fiscal year 1999 due to major renovations closing the museum for several months. The Museum has been expanding its off-site educational and outreach programs to reach a broader student base and enhance the Standard of Learning (SOL) curriculum.

Attendance at the Virginia Museum of Natural History



General Fund appropriations account for 76 percent of the Museum's funding. The Museum receives support from the Virginia Museum of Natural History Foundation to help fund programs and projects through solicitation, receipt, and disbursement of donations and grants. The Foundation reported net assets of \$472,352 as of June 30, 1999.

Operating revenue:

General Fund appropriations	\$2,123,701
Support from private councils, foundations, and trusts	139,564
Admissions	28,692
Membership dues and fees	3,217
Federal grants and contracts	12,296
Other revenue	<u>302,842</u>

Total operating revenue \$2,610,312

Operating expenses:

Educational and extension services	\$ 986,857
Museum administration	874,068
Curatorial services and other expenses	<u>766,179</u>

Total operating expenses \$2,627,104

Special revenue funds available during FY99 \$ 193,341

Excess revenue over expenses \$ 176,549

Capital project expenses \$ 472,723

Findings and Recommendations

Improve CARS Security Access Procedures

The Science Museum of Virginia, the Frontier Culture Museum of Virginia, and the Jamestown-Yorktown Foundation do not properly maintain CARS security access tables.

A lack of CARS access controls exposes agencies to unauthorized access of agency data. The CARS Security Officer at each agency should periodically review CARS access to ensure all users are legitimate employees and have the appropriate level of access.

Improve Cash Deposit Procedures

State guidelines require the deposit of collections on the day received or no later than the next banking day. Gunston Hall and the Museum of Natural History are not depositing cash receipts in a timely manner.

These museums should implement controls that will ensure that funds are deposited daily. This will not only expedite the flow of funds, but will decrease the risk of misappropriation of these funds.

Improve Fixed Asset Procedures

State guidelines require agencies to implement cost beneficial internal control procedures to ensure that transactions, adjustments, and discrepancies of fixed assets occur in a timely and efficient manner. This requirement includes the performance of inventories every two years and proper maintenance of the Fixed Asset Accounting System. The Virginia Museum of Fine Arts, Gunston Hall, and the Jamestown-Yorktown Foundation are not updating the Fixed Asset Accounting System in a timely manner. In addition, the Virginia Museum of Fine Arts and Gunston Hall have not conducted fixed asset inventories within the required time frame.

Improper recordation makes it difficult to maintain and protect state assets. Management should review the responsibilities of the current fixed asset custodians to ensure they have the necessary knowledge and availability to handle this assignment. Management needs to ensure that stronger controls exist to maintain the Fixed Asset Accounting System on a regular basis and to perform timely inventories.

Improve Segregation of Duties

Gunston Hall has experienced a fiscal staff shortage for an extended length of time. This shortage has led to diminished internal controls and inefficient accounting operations. The lack of proper separation of duties also increases the risk of error and misappropriation of funds. We recommend the management at Gunston Hall actively seek candidates to fill the fiscal department opening.

Establish Policy and Procedures for the Small Purchase Charge Card Program

The Virginia Museum of Fine Arts and Gunston Hall have not established adequate internal controls to prevent misappropriations of state funds through the small purchase charge card program. State regulations require that agency's must establish written procedures for the issuance and use of these charge cards. Neither of these museums has established procedures, but both agencies are utilizing the program.

The Virginia Museum of Fine Arts and Gunston should immediately establish and implement written policies and procedures for the small purchase charge card program to ensure the safety of agency assets.

July 10, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of **Virginia's Museums** for the year ended June 30, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the agencies' internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues and Cash Receipts
Expenses

Fixed Assets
Petty Cash

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide

reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the Museums' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. Reportable conditions are described in the section entitled, "Findings and Recommendations." We believe that none of the reportable conditions is a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. The Department has taken adequate corrective action with respect to audit findings reported in the prior year, except for the finding entitled, "*Improve Fixed Asset Procedures.*"

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at each museum on October 2, 2000.

AUDITOR OF PUBLIC ACCOUNTS

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